



First 5 Association
Overview of January Budget FY 2021-22
Last Updated: January 11, 2021

Last Friday, Governor Newsom released his \$227 billion proposed State Budget for FY 2021-22. While in the midst of an unprecedented economic recession and public health pandemic, California’s General Fund remains healthy for FY 2021-22, while structural deficits are projected for the out-years. Recent federal relief provides additional support for critical needs throughout the state, some of which is reflected in the January budget proposal. Even with recent federal relief, the budget still points great fiscal uncertainty, especially around the stock market performance, prolonged unemployment, and more small business closures.

In recognition of urgent needs across California, the Governor stated his top budget priorities to bolster safety net services, re-open schools safely, support small businesses, promote vaccinations, and sharpen wildfire preparedness.

In terms of process, we again anticipate an abnormal budget year: The Governor is asking the Legislature to address immediate needs on an expedited timeframe, while also adhering to the regular budget process (however, we continue to anticipate fewer public hearings due space and safety constraints).

Most immediately, the Governor is calling on the legislature to pass a \$5 billion budget package that includes: re-opening schools safely, small business grants, fee waivers for small business, the Golden State Stimulus/ Eviction moratorium – *see chart below*.

Additional details and our initial analysis across our policy agenda —family resiliency, early learning, comprehensive health & development and sustainability and scale—can be found below.



I. FAMILY RESILIENCY:

Overall, the budget recognizes immediate needs of children and families and proposes expedited relief, especially for the most vulnerable families and those who have been hit hardest by the pandemic and economic recession.

Golden State Stimulus: Most significantly, the Governor proposed a new Golden State Stimulus, which provides \$600 in rapid cash relief to individuals who qualified for CalEITC in 2020, including the most recent expansion to ITIN filers (which became law in July 2020). Relief is estimated to reach 3.9 million Californians who filed for the credits last year, generating \$1.1 billion in credits.

Further, the Governor proposes to extend the state's **eviction moratorium**, enacted through AB 3088, and aims to use California's \$2.6 billion share of the federal rental assistance for low-income households, while helping to stabilize small property owners who are struggling. Specifically, the proposal intends to protect renters from eviction who are experiencing financial hardship related to COVID-19 and pay at least 25 percent of monthly rent.

The Governor called for immediate action to implement the Golden State Stimulus and eviction moratorium in February and March.

Food security: Recognizing growing needs to address food insecurity, the budget includes \$30 million one-time General Fund (above base) to fund existing Emergency Food Assistance Program providers, food banks, tribes, and tribal organizations. Budget enhancement were similarly made to the Supplemental Nutrition Benefit and Transitional Nutrition Benefit Program and the California Food Assistance Program Emergency Allotments.

CalFresh caseloads are projected to increase by 17% in FY 2021-22. To meet caseload demand, the budget includes \$838 million in General Fund (an increase of \$182 million) for CalFresh county administrative funding. The budget also includes \$3 million to support increased staffing at CDSS for the CalWORKs and CalFresh program.

Lastly, the recent Federal COVID-19 relief package includes additional measures that will address food insecurity, including a 15% increase to SNAP benefits and needed clarity around the Pandemic-EBT program for children under age 6, which we are monitoring closely for implementation details.

CalWORKs: Given higher unemployment caused by the economic recession, CalWORKs caseload is projected to increase by 19% in FY 2021-22, serving an estimated 490,000 families throughout the state. The budget includes a 1.5% increase to the CalWORKs Maximum Aid Payment (MAP), effective October 1, 2021. This policy change is estimated to cost \$50.1 million and is estimated to bring MAP levels to \$891 per month (for a family of 3 in a high-cost county), and again demonstrates a commitment to supporting vulnerable CalWORKs families.

Further, the budget continues to exempt any month or partial month of CalWORKs aid or services from counting towards the CalWORKs 48-month time limit, an exemption first made due to the COVID-19 pandemic. This exemption applies to all CalWORKs recipients, unless they have exceeded the federal aid time limit or have another "clock stopper". In total, the budget allocates \$46.1 million for FY 2021-22 to continue this exemption.

II. EARLY LEARNING

The budget outlines immediate COVID-19 relief, in addition to taking longer-term steps to implement the state's recently released Master Plan on Early Learning and Care.

Immediate COVID-19 Relief: Recognizing the fragility of the child care system, the budget allocates \$55 million from General fund to support child care providers and families as a result of the pandemic. Additionally, in 2019, the Governor dedicated part of the Prop 64 Cannabis funding to expand child care access. This year's budget, adds an additional \$21.5 million for FY 2020-21 and \$44 million ongoing, providing 4,700 new child care spaces in California.

CA is poised to receive \$1 billion in child care funding from the most recent federal COVID-19 relief package. The FY 20-21 state budget planned for additional federal relief (as outlined in SB 820), which this year's budget allocates as follows:

- \$100 million to extend access for children of essential workers, at-risk children, and other eligible children;
- Up to \$90 million in child care provider stipends.
- Up to \$35 million to offer additional non-operational days for providers accepting vouchers in the event of health and safety concerns.
- Continuing to waive family fees through June 2021 (\$30 million)
- Up to \$30 million to increase capacity for subsidized child care and preschool
- \$15 million in re-opening grants to offer assistance to child care providers.

Master Plan: The budget highlights the work around the Master Plan for Early Learning and Care to build a long-term roadmap to universal preschool and a comprehensive, quality and affordable child care system. The budget and the Governor's comments during the press conference recognize that implementation of the Master Plan will take years of consistent investment and reform, highlighting the transfer of all child care program (with the exception of CSPP) to the Department of Social Services as a first step towards streamlining child care programming.

This budget provides a down payment on aspects of the Master Plan. Most notably:

- \$250 million in one-time Prop 98 General Fund, available over multiple year, to provide grants to LEA that offer early access to TK.
- \$50 million one-time Prop 98 General Fund to support TK and kindergarten teacher preparation, specifically training to provide instruction in inclusive classroom and support English language learners, social-emotional learning, trauma-informed practices, restorative practices, and mitigating implicit bias.
- \$200 million in one-time General Fund for school districts to construct and retrofit existing facilities to support TK and full-day kindergarten programs.

Cradle-to-Career Data System: The Cradle-to-Career Data System Act of 2019 launched the effort to create a longitudinal data system across early education, K-12, higher education, employers, and workforce, and other social services agencies. The effort acknowledges the need to reflect a "whole child" approach to data systems, recognizing the interconnection of education, health, and human services. The budget dedicates \$15 million in General Fund, \$3 million of which is one-time, to further enhance data coordination efforts and to create an office within the Government Operations Agency.

Childhood Reading Program: The Budget includes \$5 million in one-time General Fund for the Department of Public Health to provide books for low-income children to improve child development and literacy. While we await additional details, this investment largely aligns with First 5 CA's call for investments in early literacy programming and access to books and the multitude of early literacy programs that First 5s and partnership support across the state.

III. COMPREHENSIVE HEALTH & DEVELOPMENT

Special Education/ Early Intervention Services: Recognizing the effectiveness of early intervention services and long-term savings, the budget includes \$300 million in one-time Prop 98 funding for a Special Education Early Intervention Grant program to increase evidence-based services for infants, toddlers, and preschoolers.

Continuation of Supplemental Health Payments & Services: The budget extends the Proposition 56 supplemental payments by 12 months, which were scheduled to sunset on July 1, 2021. Specifically, this will continue supplemental payments for developmental screenings, ACEs screenings, women's health, family planning, loan repayment, among others until July 1, 2022.

Similarly, expanded Medi-Cal post-partum eligibility for up to 12 months will also continue until July 1, 2022.

CalAIM: The budget re-launches the CalAIM initiative, which aims to improve and enhance Medi-Cal services for all enrollees. Specifically, CalAIM looks to better integrate systems of care --with an emphasis on behavioral health, improve care coordination, and bolster Whole Person Care. Specifically, the budget proposes to add \$1.1 billion in FY 2021-22, growing to 1.5 billion by FY 2023-24 for the CalAIM initiative.

Telehealth: The budget also includes \$95 million to expand and make permanent certain COVID-19 telehealth flexibilities, and to add remote patient monitoring as a new covered benefit. DHCS is expected to release additional details on telehealth programs and services, which we will be following and monitoring closely.

IV. SUSTAINABILITY & SCALE

As expected, DOF includes tobacco tax projections in their January Budget – see chart below. We are working with First 5 CA to understand if these number differ from previous budget projection, but they initially appear in alignment. The Association will be holding a finance call to discuss budget projections in the coming weeks.

Additionally, the budget recognizes uncertainty in tobacco taxes given the looming flavors ban. SB 793, would prohibit the sale of flavored tobacco products in CA. However, a referendum has been circulated to delay implementation and put the flavors ban before voters in November 2022. Referendum signatures are currently being validated by the Secretary of State, and SB 793 did not take effect on January 1, 2021 as originally intended by the law. The Association is monitoring this closely and will provides updates and information as made available.

Tobacco Tax Revenue

(Dollars in Millions)

	2019-20 Actual	2020-21 Forecast	2021-22 Forecast
General Fund	\$60.2	\$54.7	\$46.4
Cigarette and Tobacco Products Surtax Fund	\$215.7	\$202.4	\$174.1
Breast Cancer Fund	\$11.9	\$10.9	\$9.3
California Children and Families First Trust Fund	\$327.5	\$318.1	\$309.4
California Healthcare, Research and Prevention Tobacco Tax Act of 2016	\$1,342.5	\$1,249.8	\$1,063.0
Total	\$1,957.8	\$1,835.9	\$1,602.1